



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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### **9 VAC 20-130 – Regulations for the Development of Solid Waste Management Plans Department of Environmental Quality Date**

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

### **Summary of the Proposed Regulation**

The proposed regulation requires that all cities, counties, and towns in the Commonwealth develop complete, revised solid waste management plans on an individual or regional basis. The deadlines for the submission of these plans vary between July 1, 2003 and April 1, 2004. Additionally, annual reports by all permitted solid waste facilities and by every city, county, town or solid waste management planning region will be required. Finally, if local governments wish to make major changes in their procedures after their solid waste management plan is approved, the plans must be amended and approved by the Department of Environmental Quality (DEQ).

### **Estimated Economic Impact**

All cities, counties, and towns in the Commonwealth were required to submit solid waste management plans in 1991. With the proposed changes, a new completely revised solid waste management plan must be developed for each individual or regional area in the Commonwealth.

DEQ expects to receive about 80 solid waste management plans because of the proposed changes. Some of these 80 plans will be regional plans that include more than one city, county, or town. Local governments must incur certain costs to develop complete, revised plans.

Local governments can prepare the waste management plans or an outside consultant can be hired. The costs of developing the plan may vary depending on who prepares the plan and the size of the planning unit. The cost is expected to be between \$10,000 and \$20,000 per plan. Since DEQ expects about 80 plans will be prepared, the cumulative cost to all localities is expected to be between \$800,000 and \$1,600,000 in current dollars.<sup>1</sup>

The developed plans must be submitted to DEQ for approval and possible revision. The approval and revision of the solid waste management plans will require a small amount of additional DEQ staff time. The staff time devoted to the plans will be a one-time cost.

In addition, whenever a locality wishes to make major change in their procedure, the plan must be amended and approved by DEQ to reflect the changes. Based on their experience, DEQ expects to receive about 20 major revisions per five-year period. Thus, on average, four localities will propose amendments to the original plans every year.

The local governments will incur costs associated with the amendments to incorporate major changes. These costs may include additional staff time required and other resources devoted to update the plans. The costs associated with amendments are ongoing costs at the aggregate level but not all the plans are required to be amended unless there is a major change. DEQ anticipates that the ongoing costs will be only a small fraction of the development costs and only about four amendments are expected in a year. Thus, the total ongoing costs should be a small fraction of \$80,000 in a year.

The revision and approval of the amendments to the solid waste management plans will require a small amount of additional DEQ staff time as well. The staff time devoted to the amendments will be an ongoing cost at the aggregate level.

Finally, local governments must prepare and submit annual reports to DEQ every year. DEQ will analyze the reports to determine whether they comply with the submitted waste management plans. Preparation and the analysis of the annual reports will require additional

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<sup>1</sup> Source: Department of Environmental Quality

staff time from localities and DEQ. All permitted solid waste facilities and every city, county, town, or solid waste management planning region will incur additional costs because of staff time devoted on the preparation of the annual reports. Likewise, DEQ will devote additional staff time to analyze the submitted reports.

The proposed changes will potentially produce: better planning for the handling and disposal of solid waste, improved tracking of the recycling activity and the solid waste handled in the Commonwealth, and up-to-date waste management plans. These potential improvements may help reduce the contamination of surface water, groundwater, and soil. This may in turn reduce the incidence of public health problems due to such contamination.

The net economic impact of the proposed regulations in the long run will depend not only on the size of the current costs and benefits but also on their duration. It should be noted that a large fraction of the total cost is a one-time cost and expected to be less than \$1,600,000. The ongoing costs of the proposed changes are expected to be less than \$80,000 per year. On the other hand, all of the benefits are ongoing but difficult to quantify.

To infer the net economic impact, certain assumptions must be made. For a ten-year period, the estimated total costs will be less than or equal to \$2 million in current dollars if the ongoing costs per year are less than or equal to 50% percent of \$80,000.<sup>2</sup> For a twenty-year period, the estimated total cost will be less than or equal to \$2.4 million under the same assumptions.<sup>3</sup> Thus, if the total economic benefits (all of which are ongoing benefits) are greater than or equal to \$200,000 per year for a ten-year period or \$120,000 per year for a twenty-year period in current dollars, then the proposed changes will provide net economic benefits. In short, if the economic value of avoiding potential health problems or contaminated waters is greater than or equal to \$200,000 (\$120,000) a year in current dollars when a ten (twenty)-year scenario is considered, then the proposed changes will most likely to produce net economic benefits.

With the limited information available, it is not clear how much of the potential public health problems, and surface water, groundwater, and soil contamination problems will be prevented. Also, how much the public is willing to pay to avoid these problems is not known with certainty.

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<sup>2</sup> The sum of one-time costs (\$1,600,000) and ten-year ongoing costs (10x\$40,000=\$400,000) is \$2 million.

<sup>3</sup> The sum of one-time costs (\$1,600,000) and twenty-year ongoing costs (20x\$40,000=\$800,000) is \$2.4 million

In summary, the proposed changes introduce a number of different costs that can be reasonably estimated. These costs are plan development costs, amendment costs, and labor costs. The benefits of the proposal, on the other hand, are expected to be positive but their size cannot be reliably estimated. Thus, it is not possible to state a definite conclusion on whether the proposed changes will result in a net gain to Virginia.

### **Businesses and Entities Affected**

The proposed changes will affect about 80 individual or regional solid waste management planning areas.

### **Localities Particularly Affected**

The proposed changes to the regulation affect localities throughout the Commonwealth.

### **Projected Impact on Employment**

No significant net effect on employment is expected.

### **Effects on the Use and Value of Private Property**

The value of consulting firms that aid in waste management planning may experience a small increase as localities may choose to employ their services. A very small positive impact on the value of private property near solid waste facilities may be expected due to the better management of solid waste.